

**CLAY CENTRAL/EVERLY  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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**Clay Central/Everly Community School District**

**Officials**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>
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**Board of Education**

**(Before September 2013 Election)**

Scott Rinehart	President	2015
Brian Schmidt	Vice President	2013
Curt Langner	Board Member	2015
Matt Schoning	Board Member	2013
Dave Saboe	Board Member	2013

**(After September 2013 Election)**

Brian Schmidt	President	2017
Curt Langner	Vice President	2015
Scott Rinehart	Board Member	2015
Matt Schoning	Board Member	2017
Allison Goyette	Board Member	2017

**School Officials**

Dennis McClain	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Education of  
Clay Central/Everly Community School District  
Royal, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Every Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Every Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2015 on our consideration of Clay Central/Everyly Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clay Central/Everyly Community School District's internal control over financial reporting and compliance.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
January 31, 2015

## **CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Clay Central/Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,806,854 in fiscal year 2013 to \$4,775,437 in fiscal year 2014, while General Fund expenditures increased from \$3,640,157 in fiscal year 2013 to \$3,913,209 in fiscal year 2014. This District's General Fund balance increased from \$1,795,060 at the end of fiscal year 2013 to \$2,657,288 at the end of fiscal year 2014, a 48% increase.
- The fiscal year 2014 General Fund revenue decrease was attributable to a decrease in revenue from state sources. The increase in expenditures was due primarily to an increase in instructional and student support services expenditures. One reason the General Fund balance increased is because the District was able to keep increasing expenditures below General Fund revenue for fiscal year 2014.
- With more cash available to be invested, interest earnings in the General Fund increased from \$1,544 in fiscal year 2013 to \$2,007 in fiscal year 2014.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay Central/Everly Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the District acts solely as an agent or custodian for the benefit of those outside the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

#### ***Government-wide Financial Statements***

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)**

#### ***Fund Financial Statements (Continued)***

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013:

<b>Figure A-1</b> <b>Condensed Statement of Net Position</b> <b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	
<b>Assets</b>							
Current and other assets	\$ 6,707	\$ 6,583	\$ 18	\$ 11	\$ 6,725	\$ 6,594	2.0%
Capital assets, net of accumulated depreciation	1,218	1,110	21	24	1,239	1,134	9.3%
<b>Total assets</b>	<b>7,925</b>	<b>7,693</b>	<b>39</b>	<b>35</b>	<b>7,964</b>	<b>7,728</b>	<b>3.1%</b>
<b>Liabilities</b>							
Long-term liabilities	73	38	-	-	73	38	92.1%
Other liabilities	165	447	71	82	236	529	-55.4%
<b>Total liabilities</b>	<b>238</b>	<b>485</b>	<b>71</b>	<b>82</b>	<b>309</b>	<b>567</b>	<b>-45.5%</b>
Deferred Inflows of Revenues	2,429	3,032	-	-	2,429	3,032	-19.9%
<b>Net Position</b>							
Invested in capital assets, net of related debt	1,218	1,110	21	24	1,239	1,134	9.3%
Restricted	1,448	1,292	-	-	1,448	1,292	12.1%
Unrestricted	2,592	1,774	(53)	(71)	2,539	1,703	49.1%
<b>Total net position</b>	<b>\$ 5,258</b>	<b>\$ 4,176</b>	<b>\$ (32)</b>	<b>\$ (47)</b>	<b>\$ 5,226</b>	<b>\$ 4,129</b>	<b>26.6%</b>

The District's total net position increased 26.6%, or approximately \$1.1 million from the prior year. The largest portion of the District's net position is unrestricted.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$156,000, or 12%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$836,000, or 49%. This increase in unrestricted net position was primarily a result of increasing expenditures remaining below revenue received.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013:

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 288	\$ 281	\$ 95	\$ 94	\$ 383	\$ 375	2.1%
Operating grants, contributions	661	602	87	80	748	682	9.7%
General revenues:							
Property tax	3,165	3,048	-	-	3,165	3,048	3.8%
Statewide sales, services and use tax	302	331	-	-	302	331	-8.8%
Unrestricted state grants	997	1,141	-	-	997	1,141	
Unrestricted investment earnings	3	4	-	-	3	4	-25.0%
Other	48	93	-	-	48	93	
<b>Total revenues</b>	<b>5,464</b>	<b>5,500</b>	<b>182</b>	<b>174</b>	<b>5,646</b>	<b>5,674</b>	<b>-0.5%</b>
Program expenses:							
Instruction	2,863	2,529	-	-	2,863	2,529	13.2%
Student support services	1,327	1,262	-	-	1,327	1,262	5.2%
Non-instructional programs	-	-	167	174	167	174	-4.0%
Other expenses	192	185	-	-	192	185	3.8%
<b>Total expenses</b>	<b>4,382</b>	<b>3,976</b>	<b>167</b>	<b>174</b>	<b>4,549</b>	<b>4,150</b>	<b>9.6%</b>
<b>Increase (decrease) in net assets</b>	<b>1,082</b>	<b>1,524</b>	<b>15</b>	<b>-</b>	<b>1,097</b>	<b>1,524</b>	<b>-28.0%</b>
Net position beginning of year	4,176	2,652	(47)	(47)	4,129	2,605	58.5%
Net position end of year	\$ 5,258	\$ 4,176	\$ (32)	\$ (47)	\$ 5,226	\$ 4,129	26.6%

In fiscal year 2014, property tax and unrestricted state grants accounted for 76% of governmental activities revenue while charges for service and operating grants and contributions accounted for all of business-type activities revenue. The District's total revenues were approximately \$5.6 million, of which approximately \$5.5 million was for governmental activities and less than \$1 million was for business-type activities.

As shown in Figure A-2, the District as a whole experienced a 1% decrease in revenues and a 10% increase in expenses. Property tax increased approximately \$117,000 or approximately 4%. The increase in expenses is related to increases in instructional and student support services expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities

Revenues for governmental activities were \$5,463,768 and expenses were \$4,381,705 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by keeping expenditure growth below revenues received.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

<b>Figure A-3</b>					
<b>Total and Net Cost of Governmental Activities</b>					
<b>(Expressed in Thousands)</b>					
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>	<b>Change 2013-2014</b>	<b>2014</b>	<b>2013</b>
Instructional	\$ 2,863	\$ 2,529	13.2%	\$ (2,188)	\$ (1,890)
Support	1,327	1,262	5.2%	(1,223)	(1,172)
Other expenses	192	185	3.8%	(21)	(31)
Total	\$ 4,382	\$ 3,976	10.2%	\$ (3,432)	\$ (3,093)

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$287,612.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$661,344.
- The net cost of governmental activities was financed with \$3,466,890 in property and other taxes and \$996,665 in unrestricted state grants.

#### Business-type Activities

Revenues for business-type activities during the year ended June 30, 2014 were \$181,890, representing a 4% increase over the prior year, while expenses totaled \$167,632, a 4% decrease over the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and state reimbursements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Clay Central/Everly Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$ 4,013,734, well above last year's ending fund balances of \$3,012,104. The primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to increasing expenditure growth remaining below revenues received.

#### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The District's increase in fund balance is due primarily to increasing expenditure growth remaining below revenues received, allowing the District to carryover a fund balance to meet its financial obligations during the next year.
- The General Fund balance increased from \$1,795,060 to \$2,657,288 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance decreased from \$101,429 at June 30, 2013 to \$77,043 at June 30, 2014. This was due to increased expenditures related to facilities and improvements to facilities.
- The Statewide Sales, Services and Use Tax fund balance increased from \$804,291 at June 30, 2013 to \$893,495 at June 30, 2014.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from a deficit of \$46,741 at June 30, 2013 to a deficit of \$32,483 at June 30, 2014. Revenues for business-type activities during the year ended June 30, 2014 were \$181,890, representing an increase of approximately 4% from prior year revenues of \$174,398.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$47,774 less than total budgeted revenues, a variance of approximately 1%. Despite increases in revenues from state sources, a decrease in revenue from local sources in fiscal year 2014 caused the total amount received to be approximately \$48,000 less than the amount originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had invested approximately \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-4). This represents a net increase of 9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$178,020.

The original cost of the District's capital assets was approximately \$5.6 million. Governmental funds account for approximately \$5.5 million, with the remainder of approximately \$100 thousand accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in furniture and equipment. The District's furniture and equipment totaled \$1,921,181 at June 30, 2014, compared to \$1,977,318 reported at June 30, 2013. This decrease resulted from the trade-in or disposal of numerous fully depreciated vehicles.

<b>Figure A-4</b>								
<b>Assets, net of Depreciation</b>								
<b>(Expressed in Thousands)</b>								
<b>Governmental Activities</b>			<b>Business-Type Activities</b>				<b>Total District</b>	
<b>June 30,</b>			<b>June 30,</b>				<b>June 30,</b>	
<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>	<b>Total Change</b>
								<b>June 30, 2013-2014</b>
Land	\$ 10	\$ 10	\$ -	\$ -		\$ 10	\$ 10	0%
Buildings	638	665	-	-		638	665	-4%
Improvements other than buildings	153	167	-	-		153	167	-8%
Furniture and equipment	417	268	21	24		438	292	50%
Total	\$ 1,218	\$ 1,110	\$ 21	\$ 24		\$ 1,239	\$ 1,134	9.3%

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

#### **Long-Term Debt**

At June 30, 2014, the District had \$72,471 in total long-term debt outstanding. This represents an increase of approximately 89% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

<b>Figure A-5</b>			
<b>Outstanding Long-term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	<b>Total School District</b>		<b>Percentage Change</b>
	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>
Early retirement	\$ 41	\$ 16	156.3%
Net OPEB liability	31	22	40.9%
Total	<u>\$ 72</u>	<u>\$ 38</u>	<u>89.5%</u>

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Property taxes levied for in fiscal year 2015 decreased approximately \$600,000.
- The District expects a significant decrease in enrollment due to open enrollments.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa 51357.



## **BASIC FINANCIAL STATEMENTS**

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,983,499	\$ -	\$ 3,983,499
Receivables:			
Property tax:			
Delinquent	45,593	-	45,593
Succeeding year	2,429,113	-	2,429,113
Accounts	53,956	11,507	65,463
Income surtax	98,322	-	98,322
Due from other governments	96,075	-	96,075
Inventories	-	6,239	6,239
Due from other funds	1	(1)	-
Capital assets, net of accumulated depreciation	1,218,438	20,710	1,239,148
<b>Total assets</b>	<b>7,924,997</b>	<b>38,455</b>	<b>7,963,452</b>
<b>Liabilities</b>			
Accounts payable	162,215	70,880	233,095
Salaries and benefits payable	3,175	58	3,233
Long-term liabilities:			
Portion due within one year:			
Termination benefits	13,180	-	13,180
Portion due after one year:			
Termination benefits	28,291	-	28,291
Net OPEB liability	31,000	-	31,000
<b>Total liabilities</b>	<b>237,861</b>	<b>70,938</b>	<b>308,799</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,429,113	-	2,429,113
<b>Total deferred inflows of resources</b>	<b>2,429,113</b>	<b>-</b>	<b>2,429,113</b>
<b>Net Position</b>			
Net investment in capital assets	1,218,438	20,710	1,239,148
Restricted for:			
Categorical funding	91,156	-	91,156
Management levy purposes	356,756	-	356,756
Student activities	29,152	-	29,152
School infrastructure	893,495	-	893,495
Physical plant and equipment	77,043	-	77,043
Unrestricted	2,591,983	(53,193)	2,538,790
<b>Total net position</b>	<b>\$ 5,258,023</b>	<b>\$ (32,483)</b>	<b>\$ 5,225,540</b>

See notes to financial statements.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,741,266	\$ 138,247	\$ 291,960	\$ -
Special instruction	548,773	31,281	45,398	-
Other instruction	573,167	94,593	73,569	-
	<u>2,863,206</u>	<u>264,121</u>	<u>410,927</u>	<u>-</u>
Support services:				
Student	21,388	-	-	-
Instructional staff	71,047	-	-	-
Administration	567,838	23,491	76,000	-
Operation and maintenance of plant	417,606	-	-	-
Transportation	248,748	-	3,954	-
	<u>1,326,627</u>	<u>23,491</u>	<u>79,954</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	33,874	-	-	14,840
AEA flowthrough	155,623	-	155,623	-
Depreciation (unallocated)*	2,375	-	-	-
	<u>191,872</u>	<u>-</u>	<u>155,623</u>	<u>14,840</u>
Total governmental activities	<u>4,381,705</u>	<u>287,612</u>	<u>646,504</u>	<u>14,840</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	167,632	95,062	86,398	-
Total business type activities	<u>167,632</u>	<u>95,062</u>	<u>86,398</u>	<u>-</u>
<b>Total</b>	<u>\$ 4,549,337</u>	<u>\$ 382,674</u>	<u>\$ 732,902</u>	<u>\$ 14,840</u>

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,311,059)	\$ -	\$ (1,311,059)
(472,094)	-	(472,094)
(405,005)	-	(405,005)
(2,188,158)	-	(2,188,158)
(21,388)	-	(21,388)
(71,047)	-	(71,047)
(468,347)	-	(468,347)
(417,606)	-	(417,606)
(244,794)	-	(244,794)
(1,223,182)	-	(1,223,182)
(19,034)	-	(19,034)
-	-	-
(2,375)	-	(2,375)
(21,409)	-	(21,409)
(3,432,749)	-	(3,432,749)
-	13,828	13,828
-	13,828	13,828
(3,432,749)	13,828	(3,418,921)

(Continued on next page)

**CLAY CENTRAL EVERLY COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Service	Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

\* This amount excludes the depreciation included in the direct expenses of various programs.

See notes to financial statements.

**Exhibit B**  
**(Continued)**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 2,964,399	\$ -	\$ 2,964,399
70,925	-	70,925
129,592	-	129,592
301,974	-	301,974
996,665	-	996,665
3,190	15	3,205
48,067	415	48,482
4,514,812	430	4,515,242
1,082,063	14,258	1,096,321
4,175,960	(46,741)	4,129,219
\$ 5,258,023	\$ (32,483)	\$ 5,225,540

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit C

**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2014**

	General	Capital Projects	Special Revenue	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,666,946	\$ 927,629	\$ 388,924	\$ 3,983,499
Receivables:				
Property tax:				
Delinquent	41,678	1,104	2,811	45,593
Succeeding year	1,856,971	72,143	499,999	2,429,113
Accounts	45,410	4,340	4,206	53,956
Income surtax	98,322	-	-	98,322
Due from other funds	1	-	-	1
Due from other governments	48,346	47,729	-	96,075
<b>Total assets</b>	<b>\$ 4,757,674</b>	<b>\$ 1,052,945</b>	<b>\$ 895,940</b>	<b>\$ 6,706,559</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 141,918	\$ 10,264	\$ 10,033	\$ 162,215
Salaries and benefits payable	3,175	-	-	3,175
<b>Total liabilities</b>	<b>145,093</b>	<b>10,264</b>	<b>10,033</b>	<b>165,390</b>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,856,971	72,143	499,999	2,429,113
Income surtax	98,322	-	-	98,322
<b>Total deferred inflows of resources</b>	<b>1,955,293</b>	<b>72,143</b>	<b>499,999</b>	<b>2,527,435</b>
Fund balances:				
Restricted for:				
Categorical funding	91,156	-	-	91,156
Management levy purposes	-	-	356,756	356,756
Student activities	-	-	29,152	29,152
School infrastructure	-	893,495	-	893,495
Physical plant and equipment	-	77,043	-	77,043
Unassigned	2,566,132	-	-	2,566,132
<b>Total fund balances</b>	<b>2,657,288</b>	<b>970,538</b>	<b>385,908</b>	<b>4,013,734</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,757,674</b>	<b>\$ 1,052,945</b>	<b>\$ 895,940</b>	<b>\$ 6,706,559</b>

See notes to financial statements.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**Exhibit D**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
June 30, 2014**

**Total governmental fund balances (page 17)** **\$ 4,013,734**

***Amounts reported for governmental activities in the Statement of Net Position  
are different because:***

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported as assets in governmental funds. 1,218,438

Other long-term assets are not available to pay current year expenditures and,  
therefore, are recognized as deferred inflows of resources in the governmental funds. 98,322

Long-term liabilities, including termination benefits and other post-employment  
benefits payable, are not due and payable in the current period and, therefore,  
are not reported in the governmental funds. (72,471)

**Net position of governmental activities (page 14)** **\$ 5,258,023**

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit E

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

## Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Special Revenue	Total
Revenues:				
Local sources:				
Local tax	\$ 2,908,935	\$ 70,899	\$ 180,089	\$ 3,159,923
Tuition	169,528	-	-	169,528
Other	135,812	6,101	118,606	260,519
State sources	1,454,208	302,000	66	1,756,274
Federal sources	106,954	4,340	-	111,294
<b>Total revenues</b>	<b>4,775,437</b>	<b>383,340</b>	<b>298,761</b>	<b>5,457,538</b>
Expenditures:				
Current:				
Instruction:				
Regular	1,662,296	-	9,360	1,671,656
Special	545,912	-	-	545,912
Other	442,926	-	128,621	571,547
	<b>2,651,134</b>	<b>-</b>	<b>137,981</b>	<b>2,789,115</b>
Support services:				
Student	21,298	-	-	21,298
Instructional staff	67,152	-	-	67,152
Administration	484,969	7,535	49,928	542,432
Operation and maintenance of plant	340,327	-	36,268	376,595
Transportation	192,706	159,160	-	351,866
	<b>1,106,452</b>	<b>166,695</b>	<b>86,196</b>	<b>1,359,343</b>
Other expenditures:				
Facilities acquisition	-	151,827	-	151,827
AEA flowthrough	155,623	-	-	155,623
	<b>155,623</b>	<b>151,827</b>	<b>-</b>	<b>307,450</b>
<b>Total expenditures</b>	<b>3,913,209</b>	<b>318,522</b>	<b>224,177</b>	<b>4,455,908</b>
Change in fund balances	862,228	64,818	74,584	1,001,630
Fund balances, beginning of year	1,795,060	905,720	311,324	3,012,104
Fund balances, end of year	<b>\$ 2,657,288</b>	<b>\$ 970,538</b>	<b>\$ 385,908</b>	<b>\$ 4,013,734</b>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014**

**Change in fund balances - total governmental funds (page 19)** \$ 1,001,630

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 283,233	
Depreciation expense	(175,033)	108,200

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.

6,229

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(24,996)	
Other postemployment benefits	(9,000)	(33,996)

**Change in net position of governmental activities (page 16)**

**\$ 1,082,063**

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit G

**STATEMENT OF NET POSITION**  
**Proprietary Fund**  
**June 30, 2014**

	<u><b>School Nutrition</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	11,507
Inventories	6,239
Total current assets	<u>17,746</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>20,710</u>
Total noncurrent assets	<u>20,710</u>
<b>Total assets</b>	<u><u>38,456</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	70,880
Due to other funds	1
Salary and benefits payable	<u>58</u>
<b>Total current liabilities</b>	<u>70,939</u>
<b>Net Position</b>	
Net investment in capital assets	20,710
Unrestricted	<u>(53,193)</u>
<b>Total net position</b>	<u><u>\$ (32,483)</u></u>

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit H

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

## Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 95,062</u>
Non-instructional programs:	
Food service operations:	
Salaries	49,474
Benefits	17,656
Supplies	97,515
Depreciation	2,987
Total operating expenses	<u>167,632</u>
Operating (loss)	<u>(72,570)</u>
Non-operating revenues:	
State sources	1,460
Federal sources	84,938
Interest income	15
Other	415
Total non-operating revenues	<u>86,828</u>
Increase in net position	14,258
Net position beginning of year	<u>(46,741)</u>
Net position end of year	<u><u>\$ (32,483)</u></u>

See notes to financial statements.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**Exhibit I**

**STATEMENT OF CASH FLOWS**

**Proprietary Fund**

**Year Ended June 30, 2014**

	<u><b>School Nutrition</b></u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 86,094
Cash paid to employees for services	(73,188)
Cash paid to suppliers for goods or services	(93,238)
Net cash used by operating activities	<u>(80,332)</u>
Cash flows from non-capital financing activities:	
State grants received	1,460
Federal grants received	78,442
Net cash provided by non-capital financing activities	<u>79,902</u>
Cash flows from investing activities:	
Interest on investments	<u>430</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u><u>\$ -</u></u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (72,570)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities received	6,496
Depreciation	2,987
Increase in accounts receivable	(8,968)
Decrease in inventories	2,413
Increase in accounts payable	67,513
Decrease in interfund loan payable	(72,145)
Decrease in salaries and benefits payable	(6,058)
Net cash (used by) operating activities	<u><u>\$ (80,332)</u></u>

See notes to financial statements.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****Exhibit J****STATEMENT OF FIDUCIARY NET POSITION****Fiduciary Funds****June 30, 2014**

	<b>Private Purpose Trust Scholarship</b>	<b>Agency</b>
<b>Assets</b>		
Cash and cash equivalents	<u>\$         8,098</u>	<u>\$         1,176</u>
<b>Liabilities</b>		
Due to other governments	<u>-</u>	<u>1,176</u>
<b>Net position</b>		
Reserved for scholarships	<u><u>\$         8,098</u></u>	<u><u>\$         -</u></u>

See notes to financial statements.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****Fiduciary Funds****Year Ended June 30, 2014**

	<u>Private Purpose Trust Scholarship</u>
<b>Additions:</b>	
Local sources:	
Gifts and contributions	\$ 2,750
Interest	29
Total additions	<u>2,779</u>
<b>Deductions:</b>	
Instruction:	
Regular:	
Scholarship awarded	<u>1,900</u>
Change in net position	879
Net position beginning of year	<u>7,219</u>
Net position end of year	<u><u>\$ 8,098</u></u>
See notes to financial statements.	



## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominately agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clay County Assessor's Conference Board.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund and Special Revenue Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund is utilized to account for property tax and other revenues to be used for insurance, unemployment and early retirement benefits as well as extra curricular activities conducted on behalf of the students.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature; assets equal liabilities, and does not involve measurement of results of operations.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1<sup>1/2</sup>% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property and furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Long-term Obligation – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### Note 2. Cash and Cash Equivalents

The District's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Total capital assets not being depreciated	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,993,749	24,543	-	3,018,292
Improvements other than buildings	545,380	-	-	545,380
Furniture and equipment	1,977,318	258,690	314,827	1,921,181
Total capital assets being depreciated	5,516,447	283,233	314,827	5,484,853
Less accumulated depreciation for:				
Buildings	2,329,017	51,249	-	2,380,266
Improvements other than buildings	377,671	14,339	-	392,010
Furniture and equipment	1,709,110	109,445	314,827	1,503,728
Total accumulated depreciation	4,415,798	175,033	314,827	4,276,004
Total capital assets being depreciated, net	1,100,649	108,200	-	1,208,849
Governmental activities capital assets, net	\$ 1,110,238	\$ 108,200	\$ -	\$ 1,218,438
<b>Business-type activities:</b>				
Furniture and equipment	\$ 117,501	\$ -	\$ -	\$ 117,501
Less accumulated depreciation	93,804	2,987	-	96,791
Business-type activities capital assets, net	\$ 23,697	\$ (2,987)	\$ -	\$ 20,710

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 40,833

Special 1,781

Other -

Support services:

Instructional staff 3,715

Administration 30,176

Operation and maintenance of plant 40,471

Transportation 55,682

172,658

Unallocated

2,375

**Total governmental activities depreciation expense**

**\$ 175,033**

Business-type activities:

Food service operations \$ 2,987

### Note 4. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 16,475	\$ 29,676	\$ 4,680	\$ 41,471	\$ 13,180
Net OPEB liability	22,000	38,000	29,000	31,000	-
<b>Total</b>	<b>\$ 38,475</b>	<b>\$ 67,676</b>	<b>\$ 33,680</b>	<b>\$ 72,471</b>	<b>\$ 13,180</b>



## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Changes in Long-term Liabilities (Continued)

**Termination Benefits**— The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year multiplied by 1.5. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participating in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit is exhausted.

At June 30, 2014, the District has an obligation to three participants. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$4,680.

### Note 5. Interfund Assets/Liabilities

The detail of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise Nutrition	\$ 1
<b>Total</b>		<b>\$ 1</b>

### Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$179,265, \$167,334 and \$154,149 respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 43 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	38,000
Contributions made	(29,000)
Increase in net OPEB obligation	9,000
Net OPEB obligation beginning of year	22,000
Net OPEB obligation end of year	<u>\$ 31,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$29,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 67,300	71.32%	\$ 69,400
2013	38,000	223.68	22,000
2014	38,000	76.32	31,000

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefit (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$431,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$431,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,017,000 and the ratio of the UAAL to covered payroll was 21%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0.0% is assumed for the purpose of this calculation.

Mortality rates are based on average life expectancy for the Districts participant, which was assumed to be 83 years of age. RP-2000 Table was applied on a gender-specific basis.

The UAAL is being amortized over 30 years.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 8. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Home School Assistance Program (HSAP)	\$ 3,254
Statewide Voluntary four-year-old preschool	47,374
Professional Development - Core Curriculum	5,764
Professional Development General	18,659
Beginning Teacher Mentoring	1,621
Early Readers - Early Literacy Grant	9,309
Teacher Leadership Grant	5,175
<b>Total</b>	<b>\$ 91,156</b>

### **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$155,623 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Note 11. Financial Condition**

The District had unassigned/unrestricted deficit balance at June 30, 2014 in the Enterprise, School Nutrition Fund of \$53,193. The deficit will be eliminated by increasing meal prices.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS****Required Supplementary Information****Year Ended June 30, 2014**

	<b>Governmental Funds Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 3,589,970	\$ 95,492	\$ 3,685,462
State sources	1,756,274	1,460	1,757,734
Federal sources	111,294	84,938	196,232
<b>Total revenues</b>	<b>5,457,538</b>	<b>181,890</b>	<b>5,639,428</b>
Expenditures/Expenses:			
Current:			
Instruction	2,789,115	-	2,789,115
Support services	1,359,343	-	1,359,343
Non-instructional programs	-	167,632	167,632
Other expenditures	307,450	-	307,450
<b>Total expenditures/expenses</b>	<b>4,455,908</b>	<b>167,632</b>	<b>4,623,540</b>
<b>Excess of revenues over expenditures/expenses</b>	<b>1,001,630</b>	<b>14,258</b>	<b>1,015,888</b>
Balance, beginning of year	3,012,104	(46,741)	2,965,363
Balance, end of year	<b>\$ 4,013,734</b>	<b>\$ (32,483)</b>	<b>\$ 3,981,251</b>

See accompanying independent auditor's report.



Budgeted Accounts		Final to Actual	
Original	Final	Variance	
\$ 4,081,706	\$ 4,081,706	\$	(396,244)
1,372,709	1,372,709		385,025
232,787	232,787		(36,555)
5,687,202	5,687,202		(47,774)
2,914,766	2,914,766		125,651
1,421,399	1,560,418		201,075
250,000	250,000		82,368
320,266	320,266		12,816
4,906,431	5,045,450		421,910
780,771	641,752		374,136
1,623,335	1,623,335		1,342,028
\$ 2,404,106	\$ 2,265,087	\$	1,716,164

## **CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2014**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$139,019.

During the year ended June 30, 2014, the District did not exceed its General Fund unspent authorized budget.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	-	\$ 643	\$ 643	0.0	\$ 1,950	33.0
2011	July 1, 2009	-	643	643	0.0	1,950	33.0
2012	July 1, 2009	-	643	643	0.0	1,950	33.0
2013	July 1, 2012	-	431	431	0.0	1,957	22.0
<b>2014</b>	<b>July 1, 2012</b>	-	<b>431</b>	<b>431</b>	<b>0.0</b>	<b>2,017</b>	<b>21.4</b>

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

## **SUPPLEMENTARY INFORMATION**

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 1

## COMBINING BALANCE SHEET

## Special Revenue Accounts

June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 360,881	\$ 28,043	\$ 388,924
Receivables:			
Property tax:			
Delinquent	2,811	-	2,811
Succeeding year	499,999	-	499,999
Accounts	122	4,084	4,206
<b>Total assets</b>	<b>\$ 863,813</b>	<b>\$ 32,127</b>	<b>\$ 895,940</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,058	\$ 2,975	\$ 10,033
<b>Total liabilities</b>	<b>7,058</b>	<b>2,975</b>	<b>10,033</b>
Deferred inflows of resources:			
Succeeding year property tax	499,999	-	499,999
<b>Total deferred inflows of resources</b>	<b>499,999</b>	<b>-</b>	<b>499,999</b>
Fund balances:			
Restricted for:			
Management levy purposes	356,756	-	356,756
Student activities	-	29,152	29,152
<b>Total fund balances</b>	<b>356,756</b>	<b>29,152</b>	<b>385,908</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 863,813</b>	<b>\$ 32,127</b>	<b>\$ 895,940</b>

See accompanying independent auditor's report.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule 2

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Special Revenue Accounts  
Year Ended June 30, 2014

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 180,089	\$ -	\$ 180,089
Other	289	118,317	118,606
State sources	66	-	66
<b>Total revenues</b>	<b>180,444</b>	<b>118,317</b>	<b>298,761</b>
Expenditures:			
Current:			
Instruction:			
Regular	9,360	-	9,360
Other	-	128,621	128,621
Support services:			
Administration	49,928	-	49,928
Operation and maintenance of plant	36,268	-	36,268
Transportation	-	-	-
<b>Total expenditures</b>	<b>95,556</b>	<b>128,621</b>	<b>224,177</b>
Change in fund balances	84,888	(10,304)	74,584
Fund balances beginning of year	271,868	39,456	311,324
Fund balances end of year	<b>\$ 356,756</b>	<b>\$ 29,152</b>	<b>\$ 385,908</b>

See accompanying independent auditor's report.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule 3

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year Ended June 30, 2014**

<b>Account</b>	<b>Balance Beginning of Year</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Balance End of Year</b>
Reading is Fundamental	\$ 1,144	\$ 850	\$ 541	\$ 1,453
Science Fair	607	440	774	273
Musical / Play	1,627	4,333	5,960	-
Athletics	14,116	42,279	46,885	9,510
FFA	1,742	37,330	38,938	134
Class of 2013	164	-	164	-
Class of 2014	6,068	2,274	8,201	141
Class of 2015	1,576	7,700	5,762	3,514
Class of 2016	1,419	42	41	1,420
Class of 2017	786	42	41	787
Class of 2018	646	42	41	647
Class of 2019	-	67	-	67
Class of 2020	-	42	-	42
Volleyball	-	734	-	734
High School Student Council	259	3,380	3,388	251
Dance Team	155	2,254	1,287	1,122
Interest	360	44	-	404
High School Student Pop	2,438	74	387	2,125
Concessions	573	8,960	8,730	803
Cheerleader / Drill Team	801	2,539	1,416	1,924
Yearbook	3,223	3,700	4,793	2,130
Elementary Pop	1,752	1,191	1,272	1,671
<b>Total</b>	<b>\$ 39,456</b>	<b>\$ 118,317</b>	<b>\$ 128,621</b>	<b>\$ 29,152</b>

See accompanying independent auditor's report.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**Year Ended June 30, 2014**

**Schedule 4**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 856,057	\$ 71,572	\$ 927,629
Receivables:			
Property tax:			
Delinquent	-	1,104	1,104
Succeeding year	-	72,143	72,143
Due from other governments	47,702	27	47,729
Other	-	4,340	4,340
<b>Total assets</b>	<b>903,759</b>	<b>149,186</b>	<b>1,052,945</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	10,264	-	10,264
<b>Total liabilities</b>	<b>10,264</b>	<b>-</b>	<b>10,264</b>
Deferred inflows of resources:			
Succeeding year property tax	-	72,143	72,143
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>72,143</b>	<b>72,143</b>
Fund balances:			
Restricted for:			
School infrastructure	893,495	-	893,495
Physical plant and equipment	-	77,043	77,043
<b>Total fund balances</b>	<b>893,495</b>	<b>77,043</b>	<b>970,538</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 903,759</b>	<b>\$ 149,186</b>	<b>\$ 1,052,945</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year Ended June 30, 2014**

**Schedule 5**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 70,899	\$ 70,899
Other	782	5,319	6,101
State sources	301,974	26	302,000
Federal sources	-	4,340	4,340
<b>Total revenues</b>	<b>302,756</b>	<b>80,584</b>	<b>383,340</b>
Expenditures:			
Support services:			
Administration	-	7,535	7,535
Transportation	79,580	79,580	159,160
Other expenditures:			
Facilities acquisition	133,972	17,855	151,827
<b>Total expenditures</b>	<b>213,552</b>	<b>104,970</b>	<b>318,522</b>
Change in fund balance	89,204	(24,386)	64,818
Fund balances beginning of year	804,291	101,429	905,720
Fund balances end of year	<b>\$ 893,495</b>	<b>\$ 77,043</b>	<b>\$ 970,538</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****Schedule 6****Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund  
Year Ended June 30, 2014**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and cash equivalents	\$ 159	\$ 1,017	\$ -	\$ 1,176
<b>Liabilities</b>				
Due to other governments	\$ 159	\$ 1,017	\$ -	\$ 1,176

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****Schedule of Revenues by Source and Expenditures by Function -  
All Government Funds  
For the Last Ten Years**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenues:				
Local sources:				
Local tax	\$ 3,159,923	\$ 3,390,699	\$ 3,230,584	\$ 2,736,116
Tuition	169,528	196,636	221,573	259,680
Other	260,519	176,356	477,936	698,321
State sources	1,756,274	1,617,140	1,667,521	1,634,736
Federal sources	111,294	125,572	146,287	290,092
Total revenues	<u>\$ 5,457,538</u>	<u>\$ 5,506,403</u>	<u>\$ 5,743,901</u>	<u>\$ 5,618,945</u>
Expenditures:				
Instruction:				
Regular	\$ 1,671,656	\$ 2,005,832	\$ 1,540,158	\$ 1,833,232
Special	545,912	227,016	646,150	796,570
Other	571,547	321,113	442,944	601,784
Support services:				
Student	21,298	34,858	32,840	68,178
Instructional staff	67,152	55,940	61,149	156,116
Administration	542,432	531,994	626,246	659,592
Operation and maintenance of plant	376,595	314,768	301,918	374,081
Transportation	351,866	231,757	275,079	166,233
Non-instructional programs		-	-	-
Other expenditures:				
Facilities acquisition	151,827	136,553	109,716	138,729
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	155,623	154,913	150,941	169,332
Total expenditures	<u>\$ 4,455,908</u>	<u>\$ 4,014,744</u>	<u>\$ 4,187,141</u>	<u>\$ 4,963,847</u>

See accompanying independent auditor's report.

<b>Modified Accrual Basis</b>					
2010	2009	2008	2007	2006	2005
\$ 2,648,899	\$ 2,539,371	\$ 2,538,939	\$ 2,531,092	\$ 2,138,555	\$ 1,985,339
102,324	170,661	226,676	249,008	233,651	169,629
306,100	257,235	299,665	159,848	207,449	175,153
1,341,003	1,757,501	1,779,013	1,878,327	1,837,744	1,627,999
337,847	124,514	164,603	103,202	162,484	154,562
<b>\$ 4,736,173</b>	<b>\$ 4,849,282</b>	<b>\$ 5,008,896</b>	<b>\$ 4,921,477</b>	<b>\$ 4,579,883</b>	<b>\$ 4,112,682</b>
\$ 1,717,936	\$ 1,764,952	\$ 1,767,584	\$ 1,763,287	\$ 1,684,894	\$ 1,755,841
526,161	652,872	602,549	626,457	605,403	559,174
627,634	606,864	436,170	443,668	491,957	513,517
115,438	234,640	168,211	194,405	135,419	103,446
139,770	129,757	130,107	123,788	131,974	141,061
534,052	663,956	783,644	647,765	595,832	489,617
417,467	410,501	395,673	337,531	360,926	321,960
220,162	281,836	246,619	177,619	261,619	146,576
125	386	1,036	473	1,700	14,329
189,257	167,025	117,736	310,480	325,588	401,264
-	-	19,866	19,042	17,981	16,978
-	-	1,142	2,237	3,271	4,247
167,914	155,039	153,117	151,253	145,603	138,798
<b>\$ 4,655,916</b>	<b>\$ 5,067,828</b>	<b>\$ 4,823,454</b>	<b>\$ 4,798,005</b>	<b>\$ 4,762,167</b>	<b>\$ 4,606,808</b>



**SCHNURR & COMPANY, LLP**  
**Certified Public Accountants and Consultants**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Clay Central/Everyly Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everyly Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay Central/Everyly Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everyly Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everyly Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Everly Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Clay Central/Everly Community School District's Responses to Findings

Clay Central/Everly Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay Central/Everly Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sohnarr & Company, LLP*

Fort Dodge, Iowa  
January 31, 2015

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

**Part I: Summary of Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

II-A-14     Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

**Instances of Noncompliance:**

No matters were reported.



**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2014**

**Part III: Other Findings Related To Required Statutory Reporting:**

- III-A-14    Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the amended certified budget.
- III-B-14    Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-14    Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-14    Business Transactions: We noted no business transactions between the District and District officials or employees.
- III-E-14    Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-14    Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-14    Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-14    Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- III-I-14    Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-14    Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely
- III-K-14    Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2014**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

- III-L-14     Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	804,291
Statewide sales, services and use tax	\$	301,974	
Interest		782	302,756
			<hr/> 1,107,047
Expenditures/transfers out:			
Buildings and building improvements		133,972	
Equipment		79,580	213,552
			<hr/>
Ending balance		\$	<u>893,495</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

- III-M-14     Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$53,193.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
January 31, 2015